

The HBPW Board of Directors met **Monday, January 11, 2010** at 4:00 p.m.
in the Service Center Board Room
625 Hastings Ave
Holland, Michigan

Chair Jim Storey called the meeting to order at 4:02 p.m. A quorum was present.

Members Present: Rich Cook, Paul Elzinga, Diane Haworth, Tim Hemingway, Jim Storey, and Ex Officio Member Soren Wolff

Members Absent:

Staff Present: Loren Howard, Dave Koster, Dan Nally, Ellen Taub, John Van Uffelen, and Freda Velzen; Mike Radakovitz, and Loralyn Bunce

Others Present: City Council Liaison: *Bob Vande Vusse*
Guest Expert from Alternative Energy Sources: *John Wollar*

10.001 **Open Minutes – December 2009: Regular & Study Session**

As part of the Consent Agenda, the Board of Directors approved the minutes of December 7, 2009 and December 14, 2009 as presented.

10.002 **Voluntary Work Schedule Reduction Program**

As part of its response to the economic downturn, the Holland Board of Public Works (HBPW) implemented a Voluntary Work Schedule Reduction Program in April 2009. Through this program, employees could voluntarily request 10% or 20% reductions in their work schedule, with a corresponding reduction in compensation. Approval of employee requests was at the discretion of management and approval was granted only to requests that did not negatively impact critical utility operations.

During 2009, the HBPW approved three requests under this program for a total direct payroll reduction of \$12,100. Based upon its 2009 experience, the HBPW recommends continuing the program for calendar year 2010.

As part of the Consent Agenda, the Board of Directors approved the continuation of the Voluntary Work Schedule Reduction Program through calendar year 2010, and forwarded to City Council for approval.

10.003 **Non-disclosure Agreement with Sappi**

Sappi, Incorporated is an international company whose primary mission is the production of paper products. Sappi has certain assets for sale in the Muskegon area. The Holland Board of Public Works (HBPW) is interested in discussing the opportunity presented to see if these assets may complement one of the utility's missions, energy production. This agreement will enable both parties to work together in a confidential manner as requested by Sappi.

Approve the respective resolution authorizing a Mutual Confidentiality Agreement with Sappi and forward a companion resolution requesting the same of the Holland City Council.

10.004 **Clerical Union Letters of Understanding**

The current Labor Agreement between the Holland Board of Public Works (HBPW) and Holland Clerical Employees Association ("Clerical Union") was ratified in the spring of 2008 and covers a

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four-year period ending June 30, 2011. Several new provisions inserted into the Labor Agreement during negotiations have proven to be cumbersome and restrictive for union members and management. A formal Letter of Understanding has been prepared which revises these provisions. A second Letter of Understanding has also been prepared which clarifies the provisions under which overtime is paid to Clerical Union members.

Approved the January 11, 2010 Letters of Understanding regarding Article 25. Personal Leave and Article 14. Overtime, and forwarded them to City Council for approval.

Motion to approve rate adjustments
 Second
 Favor
 Oppose

10.005 Purchase Corporate Network Switches

The Holland Board of Public Works' (HBPW) current voice communication system is more than ten years old. It is at end of life and lacks basic functionality that current systems provide. Evaluations of voice communications systems have revealed that any phone system that fulfills the needs of the HBPW will require an upgrade to the current corporate network.

All reputable voice communication applications require QoS (Quality of Service). QoS guarantees a certain level of performance to a data flow, and this is needed for VoIP (Voice over IP) phone systems. Moreover, some vendors also require Power over Ethernet (PoE). HBPW's current network switches do not have these features, and VoIP system phone vendors will not support the implementation of their products that run over a non-supportive network.

HBPW Staff evaluated sealed bids from twelve network switch vendors. All bidders offered products from highly reputable switch manufacturers, including Enterasys, Extreme, Juniper, Cisco, 3Com, and HP.

The Board of Directors approved purchasing network switches from Siemens\Enterasys for \$57,120.00.

10.006 Approval of Consent Agenda

Motion to approve and/or accept the Consent Agenda	<i>RC</i>
Second	<i>TH</i>
Favor	<i>5</i>
Oppose	<i>0</i>

10.007 Communications from the Audience

Jill Henke expressed concern about the Stone Mountain project transport issues and asked if we were looking into Allegan County resources. Howard responded that discussions with Laketown township continue but nothing tangible yet.

Jan O'Connell asked for clarification of the coding of Consent and items needing City Council action.

10.008 Financial Statement

Board member requested staff prepare sales projections with both dollars and units for current year and present at the February meeting.

The Board of Directors accepted as information only.

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10.009 Waive Fees for Flood Relief Task Force

Good Samaritan Ministries has organized a Flood Relief Task Force to assist low income residents affected by the June 19, 2009 flood event. Representatives of the Task Force have asked that the Holland Board of Public Works (HBPW) consider waiving some of the fees and charges that may be encountered during the rebuilding process of these homes. The City Council adopted a similar proposal in October 2009 to waive building permit fees for participating customers.

The Flood Relief Task Force is in the process of assessing needs, raising funds, and organizing contractors to repair the damages to the affected homes. Some of the homes were damaged beyond a point of reasonable occupancy and others have been damaged beyond repair completely. The Task Force has focused on providing a warm and safe housing condition. They have also sought to get these homes repaired so that the affected families can return home. Participants in the program must be considered very low income which translates to 50% or less of this area's median income (approximately \$22,000 or less for a family of four).

It is difficult to estimate the potential cost to the Holland Board of Public Works for such a waiver in that it is not known at this time the amount of service fees that would normally be applied to get each of the homes back to a safe condition. Some of the fees could be as little as \$34 for a service call to turn off or turn on a meter, or the cost could be over \$1,000 for a water and sewer service termination to accommodate a demolition.

The Board of approved waiving the fees for the following services for those customers participating in the Flood Relief Task Force Program until September 1, 2010: Disconnect/Reconnect Service, Service Calls, Service Inspections, Temporary Electric Service, Damaged Meter/Remote, and Service Termination for Partial or Complete Demolition.

Motion to approve waiving fees	<i>DH</i>
Second	<i>PE</i>
Favor	<i>5</i>
Oppose	<i>0</i>

10.010 Engineering Services for Ottawa Avenue and South Holland Transformers

This recommendation is for approval of professional engineering services for the expansion of the Ottawa Avenue and South Holland substations. The proposed project includes the addition of a 30mVA transformer at each of the substations, 138kv circuit breakers, 12kv circuit breakers, and associated control equipment.

This project is necessary to serve the increased electrical load of two proposed battery manufacturing facilities that are scheduled to begin production in 2011.

GRP Engineering has successfully designed and managed the construction of several Holland Board of Public Works (HBPW) substation projects in recent years and has submitted a complete engineering and construction management proposal at the lowest cost. Their scope of services includes design, transformer and equipment specifications and bid evaluations, construction management, and complete functional testing of the completed installation. HBPW staff has evaluated the proposals and recommends awarding the project to GRP Engineering.

If approved, engineering work will begin in January 2010. The project, including the construction phase, will be scheduled for completion by April 2011.

The Board of Directors approved a contract for engineering services with GRP Engineering, Inc. in the amount of \$62,222 for design and construction engineering services for two 30mVA transformers and related equipment at the Ottawa Avenue and South Holland substations, pending approval of the contract as to form by the City Attorney.

Approve a budget transfer in the amount of \$68,445 which includes a 10% contingency.

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Motion to approve agreement	<i>RC</i>
Second	<i>DH</i>
Favor	<i>5</i>
Oppose	<i>0</i>

10.011 **Update on Winter Shut-off Legislation**

During the course of business, the Holland Board of Public Works (HBPW) disconnects electric and water utility services for the collection of past due accounts. Governor Jennifer M. Granholm recently signed eight bills that increase protection from shutoff for customers of municipal electric and natural gas customers in the state. HBPW Staff reported on the three bills that were signed in November. This report includes summaries of the five bills that were signed into law in December 2009.

November’s legislation:

Public Act 152 requires the utility to postpone a shutoff of service for not more than 21 days, if the customer or a member of the customer’s household is a critical care customer or has a certified medical emergency. The postponement can be extended for periods of not more than 21 days, not to exceed a total restoration of service of 63 days in any 12-month period per household member. *The HBPW currently restores or postpones the disconnection of electric service in 21 day increments for critical care and medical emergency customers.*

Public Act 153 requires that as of April 1, 2010 certain state agencies are to operate an electronic payment process with participating energy providers to provide for the payment of low income customer energy bills that are subject to shutoff.

Public Act 154 requires a utility to notify the Public Service Commission of any shutoff of service that results in death or serious injury.

December’s legislation:

Public Act 170 requires the Department of Social Services to administer a low income heating assistance and shut off protection program, to promote conservation of home heating energy, to coordinate weatherization programs, and prescribe certain duties of certain state agencies.

Public Act 171 regulates and controls public and certain private utilities, establishing the reasons a utility may use to shut off power, establishes the notice requirements, requires the governing body to establish a policy to allow a customer to enter a payment plan for amounts due, determines what a notice for shut off must contain, establishes times when shut offs may occur, establishes that employees may identify their purpose to the customer, requires that a notice must be left with the customer when a shut off occurs, and establishes rules relating to remote shut off’s, establishes reasons that cannot be used to shut off service, establishes restoration of services rules.

Public Act 172 requires utilities to establish a complaint resolution process to resolve any allegations of violations of the Act that have not resulted in a death or serious injury. It also establishes legal remedies available to customers who claim to be injured by a violation and establishes civil fines.

Public Act 173 requires utilities to make efforts to identify senior citizen customers by at least one of several methods within 30 days after the effective date of the act.

Public Act 174 prevents the utility from shutting a customer off for a delinquent account during the heating season if the customer is a senior citizen or has entered a winter

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protection payment plan. The utility may shut the customer off if the customer fails to comply with the winter protection payment plan, provided proper notice is given.

Currently the HBPW will only disconnect past due electric utility services if the temperature is predicted to stay above freezing for an extended period of time. For the periods of December 1st 2007 through March 31st 2008 and December 1st 2008 through March 31st 2009, this procedure resulted in zero residential electric service disconnections. Past due water accounts are disconnected year round.

The HBPW will take the steps necessary to comply with these public acts.

For information only

10.012 **First Amendment Laketown Township Water Agreement**

The concept of the amendment was presented and approved by the Holland Board of Public Works (HBPW) Board of Directors at its meeting on December 7, 2009. The amendment has been prepared by the City Attorney and approved by Laketown Township staff and legal counsel.

A water agreement was negotiated and entered with Laketown Township on June 23, 2008 and is in effect until December 31, 2020. The current language in the Restated Water Agreement requires Laketown Township to maintain and enforce a Water Conservation Ordinance at all times. The proposed agreement only requires enactment and enforcement of the ordinance if the Township exceeds 90% of its capacity.

Laketown Township feels they cannot allow a customer to water a tennis court on a daily basis under the existing ordinance that is required by the contract. The proposed amendment will allow Laketown Township to rescind its ordinance for the present time and permit the use.

The amendment establishes that if Laketown Township exceeds 90% of the Township's capacity limit (presently 1.8 mgd), the Township shall re-implement an ordinance which limits lawn sprinkling to odd and even days within 60 days after a notice of exceeding is sent by the City to the Township.

Approve the First Amendment to the Restated Water Agreement with Laketown Township that requires Laketown Township to adopt and enforce a water conservation ordinance limiting lawn irrigation to odd and even days when it reaches 90% of its capacity.

Motion to approve amendment	TH
Second	RC
Favor	4
Oppose	0
<i>Abstained from vote</i>	PE

10.013 **Biomass Renewable Energy Transaction**

Public Act 295 of 2008 was enacted a little over a year ago. This act requires each load-serving utility in Michigan to supply at least 10% of its retail sales from renewable resources by 2015. The Holland Board of Public Works has been developing several options to be included in a portfolio of renewable resources to meet this requirement. To date, Holland has contracted for power supply from biomass and biogas (landfill gas) sources, in addition to development efforts on a number of wind generation options. This recommendation would continue the relationship with the biomass source and fix the price for a five-year term.

CMS Energy is the operator of the Grayling Generation Partnership biomass generation unit in Grayling, Michigan. The plant has contracts in place for 36 megawatts of its output. The plant is capable of producing slightly more than that amount. When those opportunities exist, CMS will schedule the delivery of those excess megawatt-hours to Holland.

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Holland and CMS have just finished a one-year transaction that was priced at \$75 per megawatt-hour. Since that transaction was originally negotiated, wholesale market prices have softened, allowing Holland an opportunity to fix the pricing over the next five years at a lower rate.

As with all of its wholesale electric purchases, Holland uses the scheduling services of Michigan Public Power Agency to interact with the Midwest Independent Transmission System Operator (MISO) market. As such, MPPA will transact with CMS for this energy supply and Holland will likewise transact with MPPA under the same terms and conditions.

Round the clock energy \$50 / mgwatt hour anticipated

The Board of Directors approved the 5-year transaction with CMS Energy, through Michigan Public Power Agency (MPPA), for approximately one megawatt per hour of renewable energy and all associated renewable energy credits at a fixed price of \$68 per megawatt-hour. Authorize the Operations Director to execute the transaction terms sheet with MPPA.

Motion to approve transaction & execution	<i>RC</i>
Second	<i>DH</i>
Favor	<i>5</i>
Oppose	<i>0</i>

10.014 **Reliability Standard Compliance Support**

This recommendation is for consulting services for the completion of generation facility ratings and preventive maintenance plan development in compliance with North American Electric Reliability Corporation (NERC) standards FAC-008, FAC-009 and PRC-005.

The Holland Board of Public Works (HBPW) has long had a viable preventive maintenance program and its customers have benefited from an outstanding reliability record. However, these newly promulgated standards require that the documentation be so comprehensive that the staff is seeking assistance from a firm that has supported these types of compliance filings in the past. Dymax Corporation is being selected because of their prior experience in this area as well as being a firm that also performs preventive maintenance on electrical equipment.

This work is being performed on a time and material basis with a not-to-exceed price of \$27,900.

The Board of Directors approved the service agreement, pending City Attorney approval as to form, with Dymax Corporation for facility ratings determination and preventive maintenance plan development in an amount not to exceed of \$27,900.

Motion to approve the service agreement	<i>DH</i>
Second	<i>PE</i>
Favor	<i>5</i>
Oppose	<i>0</i>

10.015 **Stone Mountain Wind Project**

In October 2008, the Holland Board of Public Works (HBPW) entered into an option agreement with Stone Mountain Properties, LLC to purchase 1,440 acres of property on the eastern side of the Upper Peninsula of Michigan, near the community of Goetzville, MI. The intent of the agreement was to investigate the potential of wind resources for constructing a utility sized wind energy farm. Subsequent to the option agreement the Board entered into an agreement with Alternate Energy Solutions, Inc. for the purpose of erecting meteorological (MET) towers to collect wind data such as speed and direction and then analyze that data and report on the viability of constructing utility sized wind turbines to capture the available wind energy.

Data collection began at the first tower on October 28, 2008 and ended October 4, 2009. The second MET tower started collecting data May 7, 2009 and also ended October 4, 2009. Wind

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speed was monitored at elevations of 60, 50, 40, and 10 meters at both towers. The different elevations allowed wind shear equations to be developed that in turn allowed projections to be made of wind speeds at higher elevations such as those where wind turbine hubs would be located, typically in the range of 80 to 100 meters.

In addition to analyzing the collected wind data, AES was also requested to compare the projected wind data at a turbine hub height of 100 meters against wind power curves of different utility sized wind turbines. The resultant energy production estimates were then used with data that had been obtained by staff such as turbine and development costs and estimated efficiency losses to determine what the cost of electricity would be from a wind energy project on the Stone Mountain property. Using a P90 exceedance probability projection, it is estimated that the cost of electricity at the Stone Mountain wind farm property boundary would be approximately 14.2¢ / kW-Hr. However, that cost may increase based on transmission charges to transport the electricity from Stone Mountain to Holland.

Board Members asked questions about the progress of other alternative energy projects in Michigan, especially the projects at Cadillac and Ludington. Hemingway strongly encouraged staff to look into the lease of state and/or federal land where wind ratings are 6-8 consistently for testing wind turbines. Howard says that discussions continue with several developers and land owners even though there has been little success.

Ex Officio Board Member Wolff asked where we are with our alternative energies portfolio with the loss of this project and Howard responded 5-6% and with the Granger project 8-9%.

10.016 **Budget Subcommittee Appointments**

Prior to the presentation of the HBPW's annual budget to the full Board for their approval at the February 2010 Board meeting, HBPW staff meets with the Budget Subcommittee to review the budget in detail. The HBPW Board of Directors should appoint two Board members to serve on the Budget Subcommittee. Last year the Committee was comprised of Jim Storey and Tim Hemingway.

The Budget Subcommittee meeting is scheduled for Wednesday, January 13, 2010 at 8:00 AM.

The Board of Directors appointed a Budget Subcommittee comprised of Storey & Hemingway to meet with HBPW staff and review the FY 2011 budget.

Motion to accept appointees	JS
Second	DH
Favor	5
Oppose	0

10.017 ~~Closed Door Session~~

~~Cancelled~~ ~~Motion to enter Closed Session~~
~~Second~~
~~Favor~~
~~Oppose~~
~~ROLL CALL: Cook, Elzinga, Haworth, Hemingway, and Storey~~
~~Absent:~~

- ~~1. Pending Litigation with Sierra Club~~
- ~~2. Legal Opinion on Water Agreement Negotiations~~

ANNOUNCEMENTS

Rich Cook announced that although he will complete his term in June 2010, he has asked the Mayor not to re-appoint him to second term.

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ADJOURNMENT

A motion to adjourn the meeting of January 11, 2010 was made by *Haworth* supported by *Hemingway* and agreed upon by the Board of Directors present.

The Board Meeting of December 7, 2009 adjourned at *5:29 p.m.*

Minutes respectfully submitted by,

Loralyn A Bunce
Secretary to the Board